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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 002287

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SUBJECT: PRESIDENT SHUFFLES THE DECK WITH NEW OIL ADVISOR
AND NIGERIAN OIL CORP CHIEF

Classified By: J GREGOIRE FOR REASONS 1.5(B) AND (D)

1. (U) SUMMARY. On Monday, November 3, the GON announced the removal of Jackson Gaius-Obaseki as the Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC). Funsho Kupolokun, former Special Assistant to the President on Petroleum Matters, was appointed new GMD, effective immediately. The GON also announced Edmund Daukoru would replace Dr. Rilwanu Lukman as the Special Advisor to the President on Petroleum and Energy. Jafaru Paki will be the new Special Assistant to the President on Petroleum Matters. END SUMMARY.

OUT WITH THE OLD

2. (C) Jackson Gaius-Obaseki was unceremoniously replaced as head of NNPC by means of a terse statement read by the Secretary to the Government of the Federation. Obaseki had a

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tumultuous tenure as NNPC chief. His removal had been speculated since August 2003, when almost the entire top management of the NNPC was sacked. Obaseki had frequent run-ins with both the National Assembly and the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC). Obaseki was also never close to Presidential Adviser and former OPEC Secretary General Rilwanu Lukman, but seemed to ensure his political survival, until this week, by reporting directly to the President.

3. (C) The President may have had enough of Obaseki over the issue of fuel deregulation. The overall mood in Nigeria has been tense for the last month as organized labor threatened to engage on a nationwide strike to protest rising fuel costs as a result of the sudden Presidential announcement on October 1 that Nigeria's downstream sector would be deregulated immediately. President Obasanjo wanted complete deregulation of the downstream sector to take effect immediately, whereas Obaseki supported staggered deregulation to lessen its impact.

4. (U) Deregulation has been a flash point for union and public ire also because of the sorry state of the nation's four oil refineries. During Obaseki's watch (1999-2003), repair and maintenance contracts worth hundreds of millions of dollars were paid out, yet the refineries rarely achieved a production level above 40 percent of capacity. Throughout the last year, all four refineries were offline on several occasions for weeks at a time. As a result, this oil exporting country has had to import up to 100 percent of its fuel consumption needs. While Obasanjo claims the elimination of subsidized NNPC crude oil and fuel purchases will save the country two billion dollars per year, union and civil society advocates point to the ongoing maintenance and repair work at the refineries (to no apparent end) as proof of systemic corruption in NNPC, which, they argue, will not be addressed by deregulation.

No Stranger to Controversy

5. (U) Obaseki frequently was called before the National Assembly to face charges of misappropriation of oil revenues. The RMAFC also investigated the NNPC concerning the operation of special accounts for the proceeds of crude oil sales (constitutional provisions require revenues to be paid into the Federation Account, which is shared by the federal, state and local governments).

6. (U) Obaseki recently came under fire for admitting in a news daily that the NNPC had paid some 224 million naira (\$1.7 million US) for hotel suites he used at the Abuja Nicon Hilton over the last four years. He fueled the fire by claiming that this was a sacrifice on his part; he said he was forced to stay at the Hilton because the amount allocated

for his accommodations was inadequate to build a home suitable for his position and stature. He also admitted in a recent interview that over 1,000 petitions had been written against him during his tenure as GMD of NNPC, and it is only by divine intervention that he was able to keep his job.

Limited Options

17. (C) While there is much wrong at NNPC, and even if he had had the best of intentions, Obaseki was limited in his professional and political options given the fact that President Obasanjo kept Lukman close as Special Advisor, and Obaseki was not a member of the cabinet. Obaseki did manage a reorganization of NNPC, and at least in the first three years of Obasanjo's presidency, fuel queues, long the bane of Nigerian commerce and consumers, had virtually disappeared.

IN WITH THE NEW

18. (C) The new NNPC head, Funsho Kupolokun, is a former group executive director of NNPC, and an advocate of fuel deregulation. He is known to lecture audiences on the benefits of deregulation using a laptop PC and projector. He has maintained a good relationship with Obasanjo during his time as Special Assistant to the President on Petroleum Matters, and is an alumnus of the President's high school, Baptist Boys High in Abeokuta (the president is reputed to be kind to the boys of his school). Kupolokun hails from Ondo state in the South South region.

19. (C) Alhaji Jafaru Aliyu Paki assumes Kupolokun's role as Special Assistant to the President on Petroleum Matters. Paki has a long career in the petroleum industry, beginning with Mobil Nigeria. He worked for NNPC at both the Warri and Kaduna refineries, and at the Pipelines and Products Marketing Company (PPMC), before being seconded to Unipetrol in the 1980s where he served as Executive Director for Marketing. He retired when Unipetrol was privatized. Paki is from Kaduna, and is reportedly close to Vice President Atiku. (NOTE: According to a Shell executive, Jafaru shares the Vice President's aversion to transparency and his inclination to dip into the till.)

110. (C) The GON also announced on November 3rd that Dr. Edmund Daukoru has assumed the position as Special Advisor to the President on Petroleum Matters, from which Lukman resigned effective November 1. An Ijaw from Bayelsa state, Daukoru was a manager with Shell Oil during the 1970s and early '80s, and was NNPC managing director under President Ibrahim Babingida. A Shell manager reports that Daukoru is a director of Platform Oil, an indigenous company that recently won a license in Nigeria's marginal fields offering. News reports are calling Daukoru a reform-minded technocrat. He too is considered a strong advocate for downstream deregulation, but also said in a recent interview that better communication of government policy is needed to win popular support.

111. (C) COMMENT: Even with NNPC's chronic problems, Obaseki was at least an approachable figure for both the Mission and corporate leaders. We will report septel on the view from within NNPC and the oil business community regarding these personnel changes, and what message President Obasanjo may be sending by this shuffling. END COMMENT.
HINSON-JONES